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SENSITIVE
SIPDIS

DEPT FOR EUR/CARC, EEB, OPIC for DEBORAH HOWARD

E.O. 12958: N/A
TAGS: EINV EFIN GG
SUBJECT: GEORGIA SUBJECT: JSC PROCREDIT BANK GEORGIA

REF STATE 8834

¶1. Summary: In response to the reftel, Post's inquiry into JSC ProCredit Bank Georgia from both an international financial institution and a competitor revealed no negative information. End Summary.

¶2. Post has no reports questioning the credibility or positive image of JSC ProCredit Bank Georgia (PCBG). Post contacted IFC (International Financial Corporation) which is familiar with PCBG's affairs and activities in the Georgian banking sector. IFC confirmed that PBG is a legitimate bank in good standing. A representative of HSBC confirmed the same.

¶3. In December last year, PCBG's Fitch Ratings were the following: Long-term foreign currency Issuer Default Rating (IDR) at B+; long-term local currency IDR at BB-; short-term foreign and local currency IDR at B; individual at D; and support at 4. The outlook for the long-term IDR ratings is negative. According to Fitch, the individual ratings reflect PCBG's reasonable asset quality and performance to date, satisfactory liquidity, sound capitalization and significant domestic franchise. However, the ratings also note the high-risk operating environment, credit and operational risks associated with recent rapid growth, and PCBG's high proportion of foreign currency lending.

¶4. PCBG is the fourth-largest bank in Georgia in loan and customer deposits, with a market share of about 8%. Like other banks in the ProCredit group, PCBG is a development-oriented bank which specializes in micro and SME lending in emerging economies. ProCredit Bank has 57 branches countrywide and serves more than 220,000 clients.

¶5. On December 19, 2008, PCBG signed an agreement to receive \$47.5 million credit from the German Development Bank (KfW), backed by the guarantees of the Austrian Development Bank OeEB. The credit will be used to increase the credit portfolios of small and middle size enterprises. Credit will be issued in 5 year terms with an annual interest rate of 19-34%. IFC (the World Bank Group) is also planning to issue a credit to PCBG consistent with their pledge at the Donors Conference in Brussels (October 2008).

¶6. PCBG plans to construct a new head office in the center of Tbilisi, and on February 17 announced a tender for construction companies.

¶7. Post has no information that PCBG has links to corruption or terrorism. (Embassy Note: Maya Meredova, deputy General Director for PCBG is married to the CFO of Georgia's largest bank - Bank of Georgia. End Note.)